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U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
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June 14, 2005

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The Honorable Jerry Lewis, Chairman
Committee on Appropriations
H-218, The Capitol
Washington, D.C. 20515

The Honorable David R. Obey, Ranking Member
Committee on Appropriations
H-218, The Capitol
Washington, D.C. 20515

Dear Chairman Lewis and Ranking Member Obey:

We are writing to urge you to resist any attempt to include provisions in the FY 2006 Transportation, Treasury, Housing and Urban Development, The Judiciary, District of Columbia, and Independent Agencies Appropriations Bill that might prevent the Department of the Treasury from enforcing customer-identification provisions of the USA PATRIOT Act that are vital to combating money laundering and the financing of terrorism.

As you may recall, language adopted last year by the old Transportation, Treasury and Independent Agencies subcommittee but later struck from the bill by an amendment that we offered on the House floor would have prevented the Secretary of the Treasury from expending any funds to "publish, implement, administer or enforce regulations that permit financial institutions to accept the matricula consular identification card as a form of identification." If similar provisions are offered at any time during consideration of the bill this year, we would oppose them, and we ask your help in keeping such language out of the legislation.

The regulations in question were promulgated by the Treasury Department in 2003 pursuant to Section 326 of the PATRIOT Act, which was originally drafted in the Financial Services Committee and signed into law by President Bush in October, 2001. Section 326 was intended to enhance the ability of financial institutions to detect and prevent money laundering and the financing of terrorism by requiring those institutions to develop comprehensive procedures for verifying customer identity. Enactment of Section 326 was motivated in part by the apparent ease with which several of the September 11 terrorists were able to gain access to the U.S. banking system in the period leading up to the attacks.

In implementing this provision through regulation, the Treasury Department sought to give institutions the flexibility to tailor their customer-identification programs to the risks of money laundering or terrorist financing posed by their products, services, and customer base. Consistent with this risk-based approach, the final regulations implementing Section 326 afford financial institutions the discretion to determine what

forms of identification issued by a foreign government they will accept and under what circumstances. The regulations were finalized only after a lengthy period for public comment, including extensive input from the financial services industry, law enforcement agencies, and a host of other interested parties, and after careful analysis and study by the Treasury Department and other regulators.

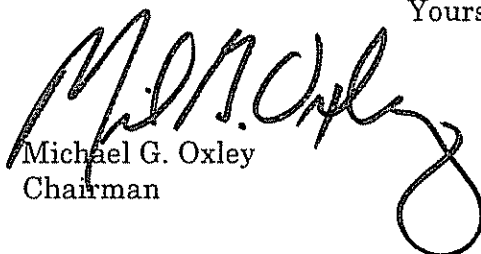
The regulations, which became effective on October 1, 2003, are being enforced by Treasury and the Federal banking agencies, and implemented by financial institutions across the country. The language adopted and later struck last year would have thrown into question the obligation of financial institutions to adhere to the customer-identification and verification procedures outlined in the regulations, and would have tied Treasury's hands in enforcing one of the centerpieces of the post-September 11 Congressional response to the terrorist financing threat. Any new attempt to restrict enforcement of the regulations likely would have the same effect.

While the intent of the proponents of the language last year may have been to discourage the acceptance of a particular form of identification issued by the Mexican government, by casting doubt on the legitimacy of the entire customer-identification and verification regime established by Section 326, the practical effect of the proposal was to strike a serious blow at the government's efforts to combat terrorist financing, and any new attempt to insert such language likely would have the same effect. As America's Community Bankers and the American Bankers Association noted last year in opposing the language that later was struck, retaining such a provision would have "merely shut the door to the unbanked while providing no greater security against money laundering."

Finally, it is our belief that to make any such far-reaching and fundamental change in the direction of U.S. anti-terrorist financing policy in an appropriations rider would do a great disservice to the legislative process.

Thank you for considering our views in this matter. If you have any further questions on any of the issues raised in this letter, please contact us or our staffs, and we will be happy to discuss our concerns with you in greater detail.

Yours truly,



Michael G. Oxley
Chairman



Barney Frank
Ranking Member

cc: The Honorable Joe Knollenberg
The Honorable John Olver